

AR09

CFCN

COMMUNICATIONS

THIRD ANNUAL REPORT/1974

CFCN COMMUNICATIONS LIMITED

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

CFCN COMMUNICATIONS LIMITED,
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Donald F. Hunter
*Robert W. Lamb
*J. Edward O'Connor
*Sven Ericksen
Gerald J. Luciani
Secretary-Treasurer

CFCN TELEVISION LIMITED,
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald F. Hunter
*James A. Love
*J. Edward O'Connor
Herbert G. Marshall
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

THE VOICE OF THE PRAIRIES LIMITED, "CFCN RADIO",
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald F. Hunter
*William N. Love
*J. Edward O'Connor
Norman H. Haines
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

GREATLAKES BROADCASTING SYSTEM LIMITED,
Kitchener-Chatham

*Donald F. Hunter
Chairman of the Board
*Donald G. Campbell
President
*Donald E. Reiffenstein
Vice-President/General Manager CFCO, Chatham
*John F. Larke
Vice-President/General Manager CHYM, Kitchener
Douglas C. Trowell
Executive Vice-President
Dorman G. Ulens
Secretary-Treasurer
*Directors

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company;
Toronto, Montreal, Calgary, Vancouver

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange

HIGHLIGHTS OF THE YEAR

	1974	1973	% Increase
Revenues	\$9,440,000	\$7,807,000	20.9
Operating Expenses (including Depreciation)	6,587,000	5,569,000	18.3
Income Taxes (Note 1)	1,475,000	1,126,000	31.0
Net Income for the year (Note 1)			
— Total	1,378,000	1,112,000	23.9
— Per Share	91.9¢	74.1¢	
Dividends — Total	660,000	480,000	
— Per Share	44.0¢	32.0¢	
Working Capital	2,966,000	2,562,000	15.8
Capital Expenditures	681,000	326,000	

QUARTERLY NET INCOME PER SHARE COMPARISON

	1974 (Note 2)	1973	% Increase
	¢	¢	
1st Quarter	14.3	11.7	22.2
2nd Quarter	23.1	19.5	18.5
3rd Quarter	19.6	12.4	58.1
4th Quarter	34.9	30.5	14.4
Total for Year	91.9	74.1	23.9

Note 1 - 10% Federal Income Tax surcharge effective May 1, 1974 amounted to \$73,000 or 4.9¢ per share.

Note 2 - Net Income per share as reported in the 1974 quarterly reports has been revised to reflect the 10% Federal Income Tax surcharge introduced in the November 18, 1974 Budget, retroactive to May 1, 1974.

CFCN

COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
Revenues:		
Broadcasting —		
Television.....	\$5,253,000	\$4,311,000
Radio	3,416,000	2,765,000
Production and other	597,000	640,000
Income from short term investments —		
Affiliated companies	144,000	65,000
Other	30,000	26,000
	<u>9,440,000</u>	<u>7,807,000</u>
Expenses:		
Operating, except depreciation	6,232,000	5,250,000
Depreciation	355,000	319,000
	<u>6,587,000</u>	<u>5,569,000</u>
Income before income taxes.....	2,853,000	2,238,000
Income taxes	<u>1,475,000</u>	<u>1,126,000</u>
Net income for the year	1,378,000	1,112,000
Retained earnings, beginning of year.....	<u>1,383,000</u>	<u>751,000</u>
	2,761,000	1,863,000
Dividends paid or payable.....	<u>660,000</u>	<u>480,000</u>
Retained earnings, end of year	<u>\$2,101,000</u>	<u>\$1,383,000</u>
Earnings per common share	<u>91.9¢</u>	<u>74.1¢</u>

See accompanying notes

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1974 AND 1973

ASSETS	1974	1973
CURRENT:		
Cash and short term deposits	\$ 1,696,000	\$ 292,000
Accounts receivable	2,430,000	1,758,000
Advances to affiliated companies		1,200,000
Prepaid expenses	128,000	101,000
	<u>4,254,000</u>	<u>3,351,000</u>
INVESTMENTS AND ADVANCES (Note 2)	196,000	196,000
FIXED:		
Land	458,000	318,000
Buildings	518,000	518,000
Broadcasting equipment	4,440,000	3,956,000
	<u>5,416,000</u>	<u>4,792,000</u>
Less accumulated depreciation	3,101,000	2,803,000
	<u>2,315,000</u>	<u>1,989,000</u>
GOODWILL	9,389,000	9,389,000
	<u>\$16,154,000</u>	<u>\$14,925,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT:		
Accounts payable	\$ 625,000	\$ 397,000
Income taxes payable	408,000	272,000
Dividend payable	255,000	120,000
	<u>1,288,000</u>	<u>789,000</u>
DEFERRED INCOME TAXES	233,000	221,000
SHAREHOLDERS' EQUITY:		
Share capital (Note 3) —		
Authorized: 3,000,000 common shares without par value		
Issued: 1,500,000 common shares	12,532,000	12,532,000
Retained earnings	2,101,000	1,383,000
	<u>14,633,000</u>	<u>13,915,000</u>
COMMITMENTS (Note 4)		
	<u>\$16,154,000</u>	<u>\$14,925,000</u>

On behalf of the Board:

Director 

Director 

See accompanying notes

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
Source of working capital:		
Operations —		
Net income for the year	\$1,378,000	\$1,112,000
Add amounts deducted (added) not involving an outlay of working capital:		
Depreciation	355,000	319,000
Deferred income taxes	12,000	(19,000)
	<u>1,745,000</u>	<u>1,412,000</u>
Application of working capital:		
Additions to fixed assets (net)	681,000	326,000
Investments and advances		75,000
Dividends paid or payable	660,000	480,000
	<u>1,341,000</u>	<u>881,000</u>
Increase in working capital	404,000	531,000
Working capital, beginning of year	<u>2,562,000</u>	<u>2,031,000</u>
Working capital, end of year	<u><u>\$2,966,000</u></u>	<u><u>\$2,562,000</u></u>
Represented by:		
Current assets	\$4,254,000	\$3,351,000
Less current liabilities	<u>1,288,000</u>	<u>789,000</u>
	<u><u>\$2,966,000</u></u>	<u><u>\$2,562,000</u></u>

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
CFCN Communications Limited

We have examined the consolidated statement of financial position of CFCN Communications Limited as at December 31, 1974 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974, the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 14, 1975

Clarkson, Gordon & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1974

1. Accounting policies

A. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

CFCN Television Limited
CFCN Productions Limited
The Voice of the Prairies Limited
Greatlakes Broadcasting System Limited

B. Investments and advances

The Companies' investments in CTV Television Network Ltd. and Paul Mulvihill Limited are carried at cost.

C. Fixed assets and depreciation

The Companies carry fixed assets at cost and provide depreciation on a straight-line basis at the following rates which are designed to write off the assets concerned over their estimated useful lives:

Buildings.	5%
Broadcasting equipment.	10%

D. Goodwill

Goodwill consists of the excess of the cost of acquired subsidiaries over the value of their net tangible assets. As goodwill is considered to have ongoing value, it is carried at cost.

2. Investments and advances

	1974	1973
CTV Television Network Ltd. —		
Common and preferred shares	\$ 63,000	\$ 63,000
Special irredeemable participating debenture	58,000	58,000
Paul Mulvihill Limited —		
Common shares and advances	75,000	75,000
	<u>\$196,000</u>	<u>\$196,000</u>

3. Share transfer restriction

The directors of the Company may refuse to register a transfer of shares in the capital of the Company if the registration of such transfer might, in the opinion of the directors, adversely affect the status of the Company or any of its subsidiaries to hold a broadcasting licence under the Broadcasting Act (Canada).

4. Commitments

Subsidiary companies are committed to make total lease rental payments of \$532,000 under leases expiring from 1975 to 1987. Lease rental payments for the years 1975 to 1979 are as follows: 1975 - \$63,000; 1976 - \$63,000; 1977 - \$65,000; 1978 - \$53,000; 1979 - \$50,000.

5. Remuneration of directors and senior officers

The aggregate direct remuneration paid during the year to the five directors and three senior officers of the Company was \$96,000 (1973 - \$78,000).

CFCN COMMUNICATIONS LIMITED

SEVEN-YEAR SUMMARY (in thousands)

	Consolidated			Combined constituent companies			
Operating Results	1974	1973	1972	1971	1970	1969	1968
Revenue							
Broadcasting							
Television	\$5,253	\$4,311	\$3,845	\$3,349	\$3,178	\$2,878	\$2,329
Radio	3,416	2,765	2,644	2,499	2,231	2,030	1,859
Production, Interest, Other	771	731	640	531	403	223	234
Total Revenue	9,440	7,807	7,129	6,379	5,812	5,131	4,422
Operating Expenses,							
except Depreciation	6,232	5,250	4,835	4,386	4,000	3,604	3,243
Operating Income	3,208	2,557	2,294	1,993	1,812	1,527	1,179
Depreciation	355	319	293	263	287	276	237
Income Before Taxes	2,853	2,238	2,001	1,730	1,525	1,251	942
Income Taxes	1,475	1,126	954	868	813	652	470
Income Before Special Item	1,378	1,112	1,047	862	712	599	472
Extraordinary Item	—	—	—	18	23	29	31
Net Income	1,378	1,112	1,047	880	735	628	503
Net Income as a Percentage							
of Revenue	14.6	14.2	14.7	13.8	12.6	12.2	11.4
Net Flow of Funds							
from Operations	1,745	1,412	1,364	1,171	1,052	947	765
Dividends Paid	660	480	330	301	256	251	—
Year-end Financial Position							
Current Assets	\$4,254	\$3,351	\$2,754	\$2,014	\$1,485	\$1,418	\$1,031
Less: Current Liabilities	1,288	789	723	544	1,048	1,574	1,286
Working Capital	2,966	2,562	2,031	1,470	437	(156)	(255)
Working Capital Ratio	3.30:1	4.25:1	3.81:1	3.70:1	1.42:1	.90:1	.80:1
Investments	196	196	121	363	351	338	320
Fixed Assets — Net	2,315	1,989	1,982	1,900	1,811	1,906	1,852
Other Assets	—	—	—	—	—	2	16
Goodwill	9,389	9,389	9,389	9,389	491	491	491
Long Term Debt	—	—	—	340	210	210	472
Deferred Income Taxes	233	221	240	216	188	158	116
Shareholders' Equity	14,633	13,915	13,283	12,566	2,692	2,213	1,836
Per Share Data							
(Based on 1,500,000 Shares Outstanding)							
Net Income	91.9¢	74.1¢	69.7¢	58.7¢	49.0¢	41.8¢	33.5¢
Net Flow of Funds							
from Operations	116.3¢	94.1¢	90.9¢	78.1¢	70.1¢	63.1¢	51.0¢
Dividends Paid	44.0¢	32.0¢	22.0¢	—	—	—	—

CFCN COMMUNICATIONS LIMITED

REVENUE COMPARISON (in thousands)

	1974	%	1973	%	% Increase
Television	\$5,253	55.6	\$4,311	55.2	21.9
Radio	3,416	36.2	2,765	35.4	23.5
Production, Interest, Other	771	8.2	731	9.4	5.5
	<u>\$9,440</u>	<u>100.0</u>	<u>\$7,807</u>	<u>100.0</u>	<u>20.9</u>

DISPOSITION OF REVENUE (in thousands)

Operating Expenses	\$6,232	66.0	\$5,250	67.2	18.7
Depreciation	355	3.8	319	4.1	11.3
Income Taxes	1,475	15.6	1,126	14.5	31.0
Dividends	660	7.0	480	6.1	37.5
Retained in Company	<u>718</u>	<u>7.6</u>	<u>632</u>	<u>8.1</u>	<u>13.6</u>
	<u>\$9,440</u>	<u>100.0</u>	<u>\$7,807</u>	<u>100.0</u>	<u>20.9</u>

CFCN COMMUNICATIONS LIMITED
BROADCAST HOUSE
POSTAL STATION E
CALGARY, ALBERTA
T3C 3L9